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IN THE

Supreme Court of the United States

OCTOBER TERM, 1968

No. ...285

THE GENERAL TIRE & RUBBER COMPANY,
Petitioner,

v.

ISOCYANATE PRODUCTS, INC.,
Respondent.

ISOCYANATE PRODUCTS, INC.,
Respondent,

v.

THE GENERAL TIRE & RUBBER COMPANY,
Petitioner,

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

JOHN T. KELTON,
Counsel for Petitioner,
100 Park Avenue,
New York, New York 10017.

Of Counsel:

HERBERT BLECKER,
THOMAS V. HEYMAN,
100 Park Avenue,
New York, New York 10017.

FRANK C. ROTE,
1708 Englewood Avenue,
Akron, Ohio 44309.

ARTHUR G. CONNOLLY, JR.,
The Farmers Bank Building,
Wilmington, Delaware 19899.

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TO THE HONORABLE, THE CHIEF JUSTICE OF THE UNITED STATES AND THE ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Petitioner, The General Tire & Rubber Company, respectfully prays for a writ of certiorari to the United States Court of Appeals for the Third Circuit to review a judgment of that Court entered on April 16, 1968, affirming the order of the United States District Court for the District of Delaware, filed June 2, 1967.

The opinion of the Court of Appeals for the Third Circuit is reported in 391 F. 2d 936 and is printed at pages A1-A2 of Appendix A. The opinion of the District Court for the District of Delaware is reported in 270 F. Supp. 868 and is printed at pages B1-B8 of Appendix B.

Jurisdiction

The judgment of the Court of Appeals (printed at page A3 of Appendix A) was entered on April 16, 1968 affirming the order of the District Court filed June 2, 1967 (printed at pages B9-B11 of Appendix B). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Questions Presented

1. Do considerations of economy of judicial effort justify exercise of the injunctive powers of a court in which a later filed action is pending, to transfer, in effect, an earlier filed action from another district to the district where the later filed action is pending, where transfer under 28 U.S.C. § 1404(a) could not have been effected?
2. Do the discretionary powers of a court permit the statutory requirements for transfer to be circumvented and rendered nugatory?
3. Should a court permit the commencement of a later filed "mirror image" declaratory judgment action, filed in violation of Rule 13(a) of the Federal Rules of Civil Procedure, to be used as a vehicle for ousting another court of its jurisdiction of an earlier filed infringement action, brought in the only district where the defendant-infringer could be sued, without satisfying the statutory conditions for transfer?
4. In the interests of effective and efficient judicial administration, should this Court resolve the plain conflict between the decision of the Court of Appeals for

the Third Circuit below and the decision of the Court of Appeals for the Seventh Circuit in *Sundstrand Corp.* v. *American Brake Shoe Co.* (315 F. 2d 273), as to the limits of a court's discretion and the interpretation of *Kerotest Manufacturing Co.* v. *C-O-Two Co.* (342 U. S. 180)?

Statutes Involved

The statutory provisions involved are 28 U.S.C. §§ 1400 (b), 1404(a) and 2201 and Rule 13(a) of the Federal Rules of Civil Procedure. They are printed at pages C1-C2 of Appendix C.

Statement of the Case

A. Background

Petitioner, The General Tire & Rubber Company (hereinafter referred to as "General Tire"), is the owner of United States Patent No. 3,072,582 for "Polyether-Urethane Foams and Methods of Making Same." Rigid polyether-urethane foam products (hereinafter referred to as "foam") made according to the patent have, among other properties, unusually high insulating characteristics which make them particularly desirable as insulation in walls of refrigerated containers. By using rigid foam, a smaller quantity of insulation is required to obtain the same properties as provided by previous materials. Thus, for a container having a fixed outside dimension, less space is required for rigid foam insulation thereby increasing the usable volume of the refrigerated container and making possible such products as "thin wall" refrigerators.

Respondent, Isocyanate Products, Inc. (hereinafter referred to as "I.P.I."), is a Delaware corporation which manufactures and sells a combination of chemicals. I.P.I. does not make or sell any foam as such but the combina-

tion of chemicals which it sells to others may be used to manufacture foam (64a-65a).[1]

Murphy Body Works, Inc. (hereinafter referred to as "Murphy") is a North Carolina corporation which, as part of its manufacturing operations, makes rigid foam which it uses as insulating material for refrigerated truck bodies (48a). In order to manufacture the foam, Murphy purchases certain chemicals from I.P.I. (42a), purchases other chemicals from another source (5b) and then mixes all of these chemicals according to a specific process to manufacture rigid foam (41a). Murphy's process for manufacturing the foam, and the foam itself, are alleged to be a direct infringement of General Tire's patent.

The only place where Murphy conducts its operation for making the infringing foam and the only place where direct infringement occurs is at Murphy's plant in Wilson, North Carolina (46a). All records concerning the purchasing of components and the production of the infringing foam therefrom are kept in Wilson, North Carolina (40a-41a, 48a). The witnesses who have knowledge of Murphy's operation and the nature of the foam made by Murphy are in North Carolina (41a, 51a, 54a-55a).

B. Pre Litigation Activities

On September 2, 1965, I.P.I. and Murphy entered into an agreement which required I.P.I. to defend and indemnify Murphy in the event that Murphy was sued for infringement of General Tire's patent (86a-87a). By that agreement, Murphy agreed to vest in I.P.I. complete and sole control over any such litigation. The pertinent sentence reads:

> "It is understood that the control of any and all actions, negotiations, determinations or materials in-

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[1] Page references are to Appellant's Appendix (a) or to Appellee's Appendix (b) in the Third Circuit.

volved shall rest solely in you [I.P.I.] and that we [Murphy] will cooperate fully with you in any such proceedings and exercise our best efforts to secure the complete cooperation of our customers. * * *"

On three occasions, December 14, 1965, January 21 and February 28, 1966, General Tire wrote to Murphy calling attention to General Tire's patent. A copy of each of these letters was immediately forwarded by Murphy to I.P.I.. Murphy, following I.P.I.'s instructions, did not respond to any of General Tire's letters (77a-83a, 94a, 49a, 62a). Had either Murphy or I.P.I., or both, chosen to seek declaratory relief against General Tire, they had ample opportunity to do so. Instead, I.P.I. and Murphy chose to remain silent and to do nothing.

C. The Litigation

On March 30, 1966, having failed to receive even an acknowledgment of the three letters to Murphy advising it of the patent and Murphy's infringement thereof (49a-50a), General Tire filed a complaint in the District Court for the Eastern District of North Carolina (Civil Action No. 970), the only district where Murphy could be sued, charging Murphy with direct infringement [35 U.S.C. § 271(a)] of U. S. Patent No. 3,072,582 (118a-119a). Jurisdiction and venue for the action were based on 28 U.S.C. §§ 1338(a) and 1400(b).

On March 31, 1966, General Tire, after having given repeated notices to I.P.I. over an extended period of time (36a-37a), filed a complaint in the District Court for the District of Delaware (Civil Action No. 3183) charging I.P.I. with violation of the patent laws by inducing others to infringe General Tire's patent in suit and by contributing to the infringement of others [35 U.S.C. § 271(b) and (c)] (4a). Jurisdiction and venue for this action were based on 28 U.S.C. §§ 1338(a) and 1400(b).

Later the same day, on March 31, 1966, I.P.I. commenced an action (Civil Action No. 3184) against General Tire in the District Court for the District of Delaware, seeking a declaration of invalidity of General Tire's patent and non-infringement thereof by I.P.I. (6a-9a). In its complaint, I.P.I. noted General Tire's earlier filed complaint in Civil Action No. 3183 and asserted jurisdiction under 28 U.S.C. §§ 1338(a) and 2201 (6a).

On April 18, 1966, Murphy, under the control of I.P.I. pursuant to the September 2, 1965 agreement, moved in the North Carolina action for a stay of all proceedings in that action pending final disposition of Civil Actions Nos. 3183 and 3184 filed in the District of Delaware (86a-87a; 75a-76a). Oral argument was heard on May 2, 1966, by Judge Larkins, who denied the motion (96a-97a).

On May 15, 1966, General Tire moved in the District of Delaware to dismiss the Complaint in Civil Action No. 3184 on the grounds that I.P.I.'s "mirror image" declaratory judgment action was the later filed action and was unnecessary because it involved the same subject matter, the same parties and the same issues as those involved in earlier filed Civil Action No. 3183 also in the District of Delaware; and was contrary to Rule 13(a) of the Federal Rules of Civil Procedure, which required that such claims be filed as counterclaims in No. 3183 (10a-12a).

While General Tire's motion to dismiss No. 3184 was pending, an arrangement was made between I.P.I. and Murphy by which I.P.I. placed ten thousand dollars into an escrow account in a North Carolina bank, for the benefit of Murphy in the event that Murphy would be "subjected to any loss" as a result of the patent suit against it (89a-92a). Murphy, as consideration therefor, agreed to join as added plaintiff in No. 3184 (47a). In accordance with the arrangement, on June 20, 1966, I.P.I., stating that it had no intention to intervene in the North Carolina case, moved (a) to amend the Complaint in Civil Action No.

3184 to add Murphy as a party plaintiff; (b) for an order enjoining General Tire from prosecuting Civil Action No. 970 against Murphy in North Carolina; and (c) to dismiss the Complaint in Civil Action No. 3183 (13a-16a).

On June 2, 1967, the District Court of Delaware entered an order which denied General Tire's motion to dismiss No. 3184, enjoined further proceedings in the first-filed North Carolina case, allowed Murphy to be added as a party in No. 3184 and permitted all discovery taken in the North Carolina action to be used in the Delaware actions (99a-101a). In effect, the order transferred the North Carolina action to Delaware.

General Tire filed a Notice of Appeal on June 16, 1967. Thereafter, on July 14, 1967, the District Court filed a written opinion (B1-B8) which is reported at 270 F. Supp. 868.

On April 16, 1968, the United States Court of Appeals for the Third Circuit rendered a judgment and a *per curiam* opinion affirming the order of the District Court (A1-A2).

The opinion of the Third Circuit and that of the District Court is squarely in conflict with the holding and rationale of the Seventh Circuit in *Sundstrand Corp.* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7th Cir. 1963).

D. Chronology of Events

For the Court's convenience, the chart below outlines the chronology of pertinent events in the Delaware and North Carolina jurisdictions.

North Carolina	*Delaware*
3/30/66 Gen. Tire files action (No. 970) against Murphy for direct patent infringement after three notices of infringement are unanswered.	
	3/31/66 (A.M.) Gen. Tire files action (No. 3183) against I.P.I. for inducing infringement and contributory infringement.
	3/31/66 (P.M.) I.P.I. files action (No. 3184) against Gen. Tire for declaratory judgment of invalidity and non-infringement.
4/18/66 Murphy (under control of I.P.I. by virtue of 9/2/65 agreement) moves to stay North Carolina action pending final determination of Delaware actions.	
5/2/66 Oral argument—Judge Larkins denies motion. 5/9/66 Order entered.	
	5/16/66 Gen. Tire moves to dismiss No. 3184 on grounds that it is duplicative of earlier filed No. 3183.
	6/20/66 I.P.I. moves to add Murphy as a party plaintiff in No. 3184; to enjoin Gen. Tire from prosecuting N. C. suit, and to dismiss No. 3183.
7/25/66 Answer to Complaint and Counterclaims of Murphy filed.	
8/15/66 General Tire's Reply to Counterclaims filed.	
	6/2/67 Order of district court enjoining Gen. Tire from prosecuting No. 970 in North Carolina, and adding Murphy as a party.
	6/16/67 Gen. Tire's Notice of Appeal.
	7/14/67 Opinion of district court.
	4/16/68 Judgment and opinion of Court of Appeals for the Third Circuit.

Reasons for Granting the Writ

The precepts set forth by this Court over sixteen years ago in *Kerotest Manufacturing Co.* v. *C-O-Two Co.*, 342 U. S. 180 (1952), as a guide in dealing with multiple litigation require clarification by this Court, particularly as to the limits of discretion which that case permits in relation to the transfer statute (28 U.S.C. 1404(a)). The decision of the Third Circuit places it squarely in conflict with the Court of Appeals in the Seventh Circuit in *Sundstrand* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7th Cir. 1963). In addition, the decision below will open broad avenues and suggest new and unorthodox approaches to encourage future litigants to commence "mirror image" declaratory judgment actions as vehicles to oust a district court of its proper jurisdiction and to avoid the necessity for complying with the statutory conditions for transfer.

To promote efficient and effective judicial administration, to clarify the law on important questions of multiple litigation and to resolve the conflict in the circuits, this Court should grant this petition.

I

Kerotest and the limits of a Court's discretion.

Although in *Kerotest Manufacturing Co.* v. *C-O-Two Co.*, *supra*, this Court set forth general guidelines for the resolution of controversies of this nature to provide for the more efficient administration of justice, in all candor, it should be recognized that quite the opposite effect has been achieved. That the *Kerotest* decision has generated controversies is indicated from the fact that it has been cited by courts in approximately ninety other reported cases and from conflicting commentaries which have been written discussing the problems of *Kerotest* and how it should be

interpreted.[2] The ambiguity of the *Kerotest* decision is also pointed up by the fact that it gives comfort to, and is frequently relied on by, each side to the controversy as supporting its position.[3] Clarification is therefore required.

In *Kerotest,* this Court noted that (p. 183):

> "The Federal Declaratory Judgments Act, facilitating as it does the initiation of litigation by different parties to many-sided transactions, has created complicated problems for coordinate courts. * * *"

Rather than offering a clear pronouncement concerning those problems, *Kerotest* sets forth two principles which are often in conflict and usually subject to varying interpretations as to the applicability of each, with the result that one of the principles is usually totally ignored by the courts. To conserve judicial resources, the Court recognized that:

> "* * * an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts. * * *" (pp. 183-184)

On the other hand, the Court plainly recognized limits to permissible discretion (342 U. S. at pp. 185-186):

> "The manufacturer who is charged with infringing a patent cannot stretch the Federal Declaratory Judg-

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[2] *The Enforcement of Rights Against Patent Infringers,* 72 Harv. L. Rev. 328 (1958); Peterson, *Multiple Patent Litigation—Kerotest Mfg. Co.* v. *C-O-Two Mfg. Co.,* 8 Hastings L. J. 18 (1952); 66 Harv. L. Rev. 168 (1952); Schwartz, *Competing Claims for Jurisdiction Between Federal Courts in Patent Suits* 46 JPOS 685 (1964).

[3] *Hamilton Watch Co.* v. *Read Drug & Chem. Co.,* 35 F.R.D. 125, 138 (D. C. Md. 1964).

> "The court cannot be critical of the reliance by each upon this opinion. Until the last paragraph, Read's can draw substantial comfort; but the last paragraph is conclusive against it."

ments Act to give him a paramount right to choose the forum for trying out questions of infringement and validity. He is given an equal start in the race to the courthouse, not a headstart. If he is forehanded, subsequent suits against him by the patentee can within the trial court's discretion be enjoined pending determination of the declaratory judgment suit, and a judgment in his favor bars suits against his customers. If he is anticipated, the court's discretion is broad enough to protect him from harassment of his customers. If the patentee's suit against a customer is brought in a district where the manufacturer cannot be joined as a defendant, the manufacturer may be permitted simultaneously to prosecute a declaratory action against the patentee elsewhere. And if the manufacturer is joined as an unwilling defendant in a *forum non conveniens*, he has available upon an appropriate showing the relief provided by § 1404(a) of the Judicial Code. 62 Stat. 869, 937, 28 U.S.C. §1404(a)."

These limits on discretion have been ignored by the Court of Appeals for the Third Circuit in the instant case.

The court below, in enjoining prosecution of the earlier filed North Carolina case in conjunction with the addition of the North Carolina defendant as a plaintiff in the later filed "mirror image" Delaware declaratory judgment action has, in effect, ousted the district court in North Carolina of jurisdiction of the earlier filed case and transferred the North Carolina case to Delaware, entirely without observing the conditions which the Congress has prescribed for transfer (28 U.S.C. 1404(a)). It is submitted that nowhere in the *Kerotest* case is there any justification for the exercise of discretion to such an extent. Indeed, the last paragraph of *Kerotest*, quoted above, prohibits the use of a later filed declaratory judgment action for this purpose.

Perhaps even more distressing is the plain fact that the vehicle to effect this ousting and transfer is a "mirror

image" later filed declaratory judgment action brought by I.P.I. against General Tire (No. 3184) notwithstanding I.P.I.'s knowledge of the pending action by General Tire against I.P.I. (No. 3183) raising the same issues between the same parties. The commencement of this later filed action (No. 3184) was a clear violation of Rule 13(a) of the Federal Rules of Civil Procedure which required I.P.I.'s claim to be asserted as a compulsory counterclaim in No. 3183 rather than as an independent action. Under the authorities, the duplicative action, No. 3184, should have been dismissed.[4] Instead, exercising "discretion" the courts below have sanctioned violation of Rule 13(a)—a step which can have serious consequences for the orderly and efficient administration of justice.

Rewarding violations of Rule 13(a) makes for duplicative effort and unnecessary and wasteful involvement in the courts. It can only serve to encourage multiple attempts to seek changes of forum under circumstances where Congress has not permitted transfer. It impairs rather than advances "economy of judicial effort".

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[4] "Indeed a counterclaim in the situation described may be considered compulsory, in the sense that the alleged infringer will not be permitted to bring an independent action for a declaratory judgment." 1A Barron & Holtzoff, *Federal Practice and Procedure* 615-16 (Wright Ed. 1960)

The Supreme Court has also stated that the purpose of Rule 13(a) was to prevent the filing of an independent action.

"* * * The Rule was particularly directed against one who failed to assert a counterclaim in one action and then instituted a second action in which that counterclaim became the basis of the complaint. See, *e.g., United States* v. *Eastport S.S. Corp.*, 255 F. 2d 795, 801-802." *Southern Construction Co., Inc.* v. *Pickard*, 371 U. S. 57, 60 (1962)

To similar effect see *McNeil Machine & Engineering Co.* v. *National Rubber Machinery Co.*, 7 F. R. Serv. 2d 13a.11, Case 1 (N. D. Ohio 1963); *Jepco Corp.* v. *Greene*, 171 F. Supp. 66, 68-69 (S.D.N.Y. 1959); and *Fireman's Fund Insurance Company* v. *Hanley*, 140 F. Supp. 206, 208 (W. D. Mich. 1956).

Moreover, the courts below, in the exercise of discretion, ignored important equitable considerations arising from the fact that I.P.I. was contractually obligated to defend Murphy and was actually in control[5] of Murphy's defense in the North Carolina action and therefore could have effected judicial economy within the Federal Rules of Civil Procedure by intervening in that first filed action. In *Joseph Bancroft & Sons Co.* v. *Spunize Co. of America*, 268 F. 2d 522 (2d Cir. 1959), the Second Circuit, in considering the effect of the refusal by a party to a second filed action to intervene in a first-filed action against its customer, stated (p. 524):

> "* * * Surely, if Bancroft chose to intervene in North Carolina, the judgment there would be decisive as to validity and infringement of the patent. We doubt that Bancroft's own choice to avoid the North Carolina jurisdiction is a sufficient reason to bring into play a discretionary power to enjoin the prior action there pending. * * *"

See also *Hamilton Watch Co.* v. *Read Drug & Chem. Co.*, 35 F.R.D. 125, 129-30 (D. Md. 1964).

In addition, I.P.I., controlling the defense of Murphy in North Carolina, previously sought to stay the North Carolina action and failed. Thereafter, I.P.I., by reason of its control of Murphy's defense and also through the inducement in the form of a $10,000 escrow account to cover

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[5] In *Yale & Towne Mfg. Co.* v. *Manning, Maxwell and Moore, Inc.*, 91 F. Supp. 106 (S.D.N.Y. 1950), the factor of control was decisive. The court stated (108):

> "* * * it has been indicated that the plaintiff herein is conducting the defense in the Michigan action, in which event it can effectively participate in the Michigan action and all parties would be bound by the decision in that suit in any subsequent action. * * * The plaintiff could also intervene in the Michigan action as a matter of equitable right. Chandler & Price Co. v. Brandtjen & Kluge, Inc., 1935, 296 U. S. 53, 56 S. Ct. 6, 80 L. Ed. 39."

"losses" by Murphy, obtained Murphy's "consent" to join No. 3184 as an additional party plaintiff. I.P.I. then moved again, this time in Delaware, to enjoin General Tire from proceeding with the North Carolina action.[6] This time I.P.I. succeeded.

If such tactics are to be condoned, if prior decisions of coordinate courts bypassed[7] and if the statutory requirements for transfer and Rule 13(a) are to be ignored through the exercise of discretion, the prospect for further attempts to oust courts from the exercise of their proper jurisdiction will be greatly enhanced and the outlook for judicial economy diminished. The only way to prevent these problems from arising is for this Court to amplify and restate the operative principles of *Kerotest*.

II

The conflict between the Seventh Circuit and the Third Circuit.

The decision of the Third Circuit affirming the district court's order enjoining General Tire's infringement suit against Murphy in North Carolina places it squarely in conflict with the decision by the Seventh Circuit in *Sundstrand Corp.* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7th Cir. 1963).

In *Sundstrand*, the patentee, American Brake Shoe, commenced an infringement action against the manufacturer,

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[6] General Tire sued Murphy, a manufacturer and a direct infringer in the only district where Murphy could be sued. I.P.I. is not a direct infringer—it is charged only with inducement and contributory infringement.

[7] In *American Chemical Paint Co.* v. *Thompson Chemical Corp.*, 244 F. 2d 64 (9th Cir. 1957), the court reversed an order enjoining the prosecution of a pending suit against a customer when a sister court had already denied a motion to stay. The court stated (244 F. 2d at 66):

> "Considerations of comity and judicial self-restraint should deter one court from thus, in effect, overruling the decision of a court of coordinate jurisdiction. * * *"

Sundstrand, on June 11, 1962, which, for present purposes may be considered as having been filed in the Northern District of Illinois.[8] The next day American Brake Shoe sued two of Sundstrand's customers in the District of Maryland. On July 3, Sundstrand brought a declaratory judgment action against American Brake Shoe in the Northern District of Illinois. These facts parallel those in the present case except that here both I.P.I. and Murphy are manufacturers.

Sundstrand next moved in Illinois to enjoin American Brake Shoe from continuing its suit against the defendants in Maryland. The lower court granted the injunction contingent upon the Maryland defendants filing a voluntary appearance in the Illinois suit. This is a result similar to the order affirmed by the Third Circuit which adds Murphy as a party in Delaware and enjoins prosecution of the North Carolina action—a result which effectively transfers the North Carolina action to Delaware.

The Seventh Circuit, reversing the district court, found that the district court did not have the "discretion" in the interest of judicial economy or otherwise to circumvent 28 U.S.C. § 1404(a), the statutory provision for transfer. Moreover, interpreting *Kerotest,* the Seventh Circuit found that the guidelines set forth in the last paragraph of that opinion were of controlling importance. In direct conflict with the Seventh Circuit opinion is the Third Circuit's view that in a parallel fact situation, the district court has wide powers of discretion, in the interest of judicial economy, to circumvent the statutory provisions for transfer and to ignore the guidelines set forth in the last paragraph of *Kerotest.*

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[8] Actually, the case was filed in the District Court of Colorado and, for reasons not relevant to the issues here, was later transferred to the Northern District of Illinois. The court noted however that its decision and the rationale employed would have remained unaltered even if the Colorado suit had initially been filed in Illinois (315 F. 2d at 277).

In rejecting the lower court's decision to enjoin the customer's suit in Maryland contingent upon the customer's filing an appearance in Illinois, the Seventh Circuit was disturbed that such a move was in effect a transfer of jurisdiction and a subversion of the provisions of the statute governing transfer, 28 U.S.C. § 1404(a). Under the statute, a decision to transfer is within the exclusive authority of the transferor forum and in *Sundstrand* the decision had been made by the "potential transferee" court. The Court found:

> "* * * the order placed in the hands of the defendant customers in the Maryland suit the power to transfer that suit to the Northern District of Illinois without the consent of the patentee-plaintiff or the Maryland District Court." (315 F. 2d at 274)
>
> "* * * nowhere in the [Kerotest] opinion can we find authority for the action of the Illinois District Court in the instant case." (315 F. 2d at 275)
>
> "* * * A motion for transfer under that doctrine [*forum non conveniens*] could only be made in the Maryland District Court, and the District Court for the Northern District of Illinois usurped the prerogative of that court. We say this having in mind the restraining order granted contingent on the customers appearing in the Illinois action—an injunction, in effect, against the forum and not against the cause of action between the parties.
>
> We believe that 'wise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel * * *' the exercise of the Maryland court's discretion by the court in Illinois. We say this being mindful of the Supreme Court's acknowledgment that the Declaratory Judgments Act does not place in the manufacturer or the customer the right to choose his forum by abrogating the traditional race to the courthouse. Sundstrand

> may move to intervene in the Maryland case and then move for a *forum non conveniens* transfer to the Northern District of Illinois or the customers may make the motion on their own behalf. We are not prepared to say that that court, in such a contingency, would fail to properly exercise its discretion." (315 F. 2d at 276)

Because of the near identity of the factual situations, this reasoning should apply with equal force to the instant case. The prerogative to afford the relief granted by the district court in Delaware resided only in the district court in North Carolina (as the potential transferor court) under the statute governing transfer.

The public policy regarding transfer is established by 28 U.S.C. § 1404(a). A transfer may not be granted unless the statutory conditions are satisfied. Among other factors, the motion must be brought in the transferor court (North Carolina, here) and the transfer must be made to a district where the transferred action might have been brought originally. See *Hoffman* v. *Blaski*, 363 U. S. 335 (1960). The first condition has been ignored by I.P.I. and Murphy, and the second condition is not met since the action against Murphy could not have been brought in Delaware originally.[9] The circumvention of the statutory provisions for transfer which I.P.I. has been able to achieve through a later filed declaratory judgment action (No. 3184) and by its control of Murphy should not be countenanced.

Thus the Third and the Seventh Circuits are in direct conflict both as to the availability of discretion under those facts and as to the interpretation of this Court's decision in *Kerotest*.

That the defendants in the Maryland action in *Sundstrand* were willing to intervene in the declaratory judgment suit in

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[9] Murphy's conduct after the suit was instituted cannot add to the forums where "it might have been brought." (*Hoffman* v. *Blaski*, 363 U. S. at 343).

Illinois and thereby effect economy of judicial effort was not considered by the Seventh Circuit to be of controlling importance (315 F. 2d at 276 n. 3) nor to override the limits on discretion. The Court of Appeals for the Seventh Circuit, after having fully considered the implications of *Kerotest,* plainly rejected the proposition that "economy of judicial effort" would justify an order of the character entered below in the present case. In contrast, the opinion of the district court in the present case affirmed by the Third Circuit relies entirely upon the proposition of "economy of judicial effort."

If the decision below is allowed to stand, it not only places the Third Circuit in direct conflict with the Seventh Circuit, but even more seriously, it promotes through utilization of later filed "mirror image" declaratory judgment actions the substantial ousting of courts from jurisdiction over previously properly filed infringement actions wherever the court in which the later filed declaratory judgment action is pending can foresee economy of judicial effort. It will render nugatory the limits which the Congress has placed upon transfer and will establish economy of judicial effort as the sole criterion.

Conclusion

For the foregoing reasons, it is respectfully submitted that this Petition for a Writ of Certiorari should be granted.

Dated: July 12, 1968.

Respectfully submitted,

JOHN T. KELTON,
Counsel for Petitioner,
100 Park Avenue,
New York, New York 10017.

Of Counsel:

HERBERT BLECKER,
THOMAS V. HEYMAN,
109 Park Avenue,
New York, New York 10017.

FRANK C. ROTE,
1708 Englewood Avenue,
Akron, Ohio 44309.

ARTHUR G. CONNOLLY, JR.,
The Farmers Bank Building,
Wilmington, Delaware 19899.

APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

No. 16737

THE GENERAL TIRE & RUBBER COMPANY,
Appellant,

v.

ISOCYANATE PRODUCTS, INC.

No. 16738

ISOCYANATE PRODUCTS, INC.,

v.

THE GENERAL TIRE & RUBBER COMPANY,
Appellant.

APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Argued Friday, March 22, 1968

Before McLAUGHLIN, FORMAN and
FREEDMAN, *Circuit Judges.*

OPINION OF THE COURT

(Filed April 16, 1968)

PER CURIAM:

On a full consideration of the arguments of appellant we are satisfied that the district court acted within the

allowable range of its discretion. The reasoning expressed in its opinion reported at 270 F. Supp. 868 (D. Del. 1967), fully justifies the conclusion that its discretion was wisely exercised.

The judgment will be affirmed.

A True Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 16,737

THE GENERAL TIRE & RUBBER COMPANY,
Appellant,

vs.

ISOCYANATE PRODUCTS INC.
(D. C. Civil Action No. 3183)

No. 16,738

ISOCYANATE PRODUCTS INC.

vs.

THE GENERAL TIRE & RUBBER COMPANY,
Appellant.

(D. C. Civil Action No. 3184)

ON APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Present: McLAUGHLIN, FORMAN and FREEDMAN,
Circuit Judges.

JUDGMENT

This cause came on to be heard on the record from the United States District Court for the District of Delaware and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the order of the said District Court, filed June 2, 1967, be, and the same is hereby affirmed, with costs.

ATTEST:

THOMAS F. QUINN,
Clerk.

April 16, 1968.

APPENDIX B

IN THE

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

Civil Action No. 3183

THE GENERAL TIRE & RUBBER COMPANY,

Plaintiff,

v.

ISOCYANATE PRODUCTS, INC.,

Defendant.

Civil Action No. 3184

ISOCYANATE PRODUCTS, INC.,

Plaintiff,

v.

THE GENERAL TIRE & RUBBER COMPANY,

Defendant.

Arthur G. Connolly, Jr., and Januar D. Bove, Jr., of Connolly, Bove & Lodge, Wilmington, Del.; John T. Kelton, Herbert Blecker and Thomas V. Heyman, of Watson, Leavenworth, Kelton & Taggart, New York City; Frank J. Earnheart and Frank C. Rote, Akron, Ohio, of counsel, for The General Tire & Rubber Company, plaintiff.

C. Walter Mortenson, of Mortenson and Weigel, Wilmington, Del.; Virgil E. Woodcock and John J. Mackiewicz, of Woodcock, Phelan & Washburn, Philadelphia, Pa.; and Charles A. Weigel, Jr., Washington, D. C., of counsel, for Isocyanate Products, Inc., defendant.

OPINION

WRIGHT, Chief Judge:

On March 30, 1966 The General Tire and Rubber Company (General Tire) brought a patent infringement action against Murphy Body Works, Incorporated (Murphy) in the Eastern District of North Carolina. The next day General Tire filed a similar patent infringement action in this District against Isocyanate Products, Incorporated (Isocyanate), Murphy's supplier. A few hours later Isocyanate filed a declaratory judgment action against General Tire, also in Delaware.

After this initial flurry of activity, Murphy moved the North Carolina Court for a stay of the proceedings pending the outcome of the Delaware actions. The motion was denied. Subsequently, several motions were filed in this Court. First, General Tire has moved that Civil Action Number 3184, the declaratory judgment proceeding, be dismissed as duplicitous. Second, Isocyanate asks that Murphy be added as a party plaintiff to the declaratory judgment proceeding. And, third, Isocyanate asks this Court to enjoin the North Carolina proceeding. These three motions are before the Court for resolution.

Isocyanate manufactures ten distinguishable systems for the manufacture of polyurethane foam which have been alleged to infringe the General Tire patent. Murphy uses four of these ten systems to produce foam which is used in insulating truck bodies. Since the foam, which is the subject of General Tire's patent, is not present until the chemicals are liberated from the drums, Murphy, Isocyanate's customer, is charged with direct infringement whereas Isocyanate is only charged with inducement to infringe.

Murphy's defense before Judge Larkins in North Carolina is being undertaken by Isocyanate pursuant to the

terms of an agreement between Isocyanate and Murphy. Another agreement provides that Isocyanate will undertake Murphy's representation in Delaware, and will satisfy a judgment against Murphy should General Tire succeed.[1] One of the defenses to the North Carolina action, indeed, the principal defense, and the basis for the Delaware action, is the invalidity of the General Tire patent on the ground that Kenneth Satterly, the Secretary-Treasurer of Isocyanate is the prior inventor of the patented subject matter.

Absent other considerations, a plaintiff is at liberty to litigate in the forum of his choice.[2] But the above stated proposition becomes an exception more often than a rule in complicated litigation such as the present where there are other factors bearing upon the determination of a proper forum which must be considered. Paramount among these considerations is the economy of judicial effort which militates against the relitigation of essentially the same issues in different forums. Since Isocyanate is unwilling to submit itself to the jurisdiction of the North Carolina Court, Delaware is the only jurisdiction where the issues of validity and infringement with respect to six of Isocyanate's ten systems may be

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[1] It has been urged that since the real party in interest in the North Carolina action would be Isocyanate, and that since Isocyanate would control the North Carolina action, Isocyanate would be bound by the *res judicata* effect of any North Carolina action as would General Tire in a subsequent action between the two. E.g., *Trumatic Mach. & Tool Co.* v. *O. M. Scott & Sons Co.*, 180 F. Supp. 838 (S.D.N.Y. 1960). Unfortunately, however, the *res judicata* effect of the North Carolina judgment could not be coterminous with the area of dispute between General Tire and Isocyanate since it would cover only four of the allegedly ten infringing systems.

[2] "In all cases of concurrent jurisdiction, the court which first has possession of the subject must decide it." *Smith* v. *McIver*, 22 U. S. (9 Wheat.) 535 (1824) (Marshall, C. J.).

litigated.[3] And, since Murphy, bolstered by the Isocyanate indemnity agreement, has agreed to submit itself to the jurisdiction of this Court, Delaware seems to be the logical focal point for this action. This is especially so since the alternative is two litigations over essentially the same subject matter in two different forums.

For some reason, unfathomable to this Court, Murphy is willing to join as a party plaintiff in the declaratory judgment action, where it would be subject to General Tire's counterclaim for infringment, but is unwilling to join as a party defendant in the infringement action. Hence, the order of this Court will be that Murphy be joined as a party plaintiff in the declaratory judgment action, and that the declaratory judgment action then be consolidated with the infringement action. The consolidated action, to avoid giving Isocyanate any unwarranted procedural or psychological advantages, will then be treated for all purposes as a patent infringement action with a counterclaim for invalidity. Finally, to avoid any duplication of counsellary activity, any discovery which has been taken in the North Carolina action may be filed in the consolidated Delaware action.

Despite the arguments of counsel for General Tire, the cases which have dealt with analogous situations do not require a contrary result. The key case in this area is *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 189 F. 2d 31 (3d Cir. 1951), affd. 342 U. S. 180 (1952); it has

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[3] The general rule is that a patentee who has lost on the issue of validity in one District against one defendant may relitigate the validity issue against another defendant unimpeded by the previous result. E.g., *Pierce* v. *Allen B. DuMont Laboratories, Inc.*, 156 F. Supp. 237 (D. Del. 1957) (Layton).

There are indications that the rule may be crumbling. *Nickerson* v. *Pep Boys—Manny, Moe & Jack*, 247 F. Supp. 221 (D. Del. 1965) (Steel). Recently the President's Commission on the Patent System recommended that a patentee be estopped from relitigating the issue once the patent was found invalid. § 294 "Estoppel and Cancellation."

been relied upon by both sides. A close reading of the case supports the position outlined above.[4]

In *Kerotest* the holder of a patent brought an infringement action in Chicago against a customer of a manufacturer. Next, the manufacturer brought a declaratory judgment action in Delaware. And, finally, the manufacturer was joined as a party defendant in the Chicago action. The manufacturer then appeared before Judge Rodney, in this District, and requested that the Chicago proceedings be enjoined. The manufacturer's theory was that the manufacturer was not before the Chicago Court at the time the Delaware declaratory judgment action was filed. Therefore, the manufacturer argued, the Delaware action was the first filed between the principal antagonists, the patentee and the manufacturer, and should be permitted to prevail. Judge Rodney agreed with the manufacturer, but he was reversed by the Third Circuit which was affirmed by a divided Supreme Court.

Chief Judge Biggs, writing for the Circuit Court, concisely framed the principal consideration:

> "In the instant case the whole of the war and all the parties to it are in the Chicago theatre and there only can it be fought to a finish as the litigations are now cast. On the other hand if the battle is waged in the

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[4] Mr. Justice Frankfurter's remarks for the affirming majority stress the fact that the Illinois Court was the situs of the first-filed action, and caution against the use of a declaratory judgment action to rerun the once lost race to the courthouse door. But Mr. Justice Frankfurter was well aware of the need for flexibility to meet such forum contests:

> "Wise judicial administration, giving regard to *conservation of judicial resources and comprehensive disposition of litigation*, does not counsel rigid mechanical solution of such problems. The factors relevant to wise administration here are equitable in nature. Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts." 342 U. S. at 184. (Emphasis supplied.)

> Delaware arena there is a strong probability that the Chicago suit nonetheless would have to be proceeded with for [the customer] is not and cannot be made a party to the Delaware litigation. The Chicago suit when adjudicated will bind all the parties in both cases. Why, under the circumstances, should there be two litigations where one will suffice?" 189 F. 2d at 34.

In the present case the prime consideration of economy will be best served by consolidating the litigations in Delaware after permitting Murphy to be joined as a party, and forestalling the North Carolina proceedings. All the parties to the dispute are then in Delaware, and the principal antagonists may then fight to a finish.

There are, however, additional considerations which weigh heavily in favor of this course of action. If the North Carolina litigation is permitted to proceed, it will only proceed as to four of the ten allegedly infringing systems. Thus, should General Tire prove the victor, and should the North Carolina judgment be *res judicata* as to Isocyanate, it would only be *res judicata* as to four-tenths of the dispute. There would still be a need for the Delaware action. Any such dress rehearsal before the main confrontation should be avoided where possible. To paraphrase Judge Clark's remarks in *Telephonics Corp. and Fabrionics Corp.* v. *Lindly & Co.*, 291 F. 2d 445 (2nd Cir. 1961), the North Carolina action is simply an attempt to litigate in another forum a dispute that is basically between Isocyanate and General Tire.

Here the first-filed action was brought against Murphy in North Carolina, some distance from the manufacturer's home base. Recent cases recognize that suits against customers in far-flung jurisdictions should not be preferred over a direct confrontation between the principal parties interested in the outcome of the litigation, irregardless of the first-filed rule. *Squeez-A-Purse Corp.*

v. *Stiller,* 149 F. Supp. 60 (N.D.O. 1957).[5] The Ohio Court's disparaging remarks about the tactics of successive customer's suits apply with equal force here:

> "The court in Kerotest stated that it is not to be assumed that the lower courts will permit holders of weak patents to avoid real tests of their patent's (*sic*) validity by successive suits against customers in forums inconvenient to the manufacturers or selected because of greater hospitality to patents. This is not to say that the defendant's patent here involved is a weak one, but only that the tactics used by him are those used by holders of weak patents.
>
> "The fact that defendant filed its suit in North Carolina about four or five days before this action was commenced is of no importance under the circumstances of the controversy between the parties." 149 F. Supp. at 61.

See also, in this regard, *Sybil Ives, Inc.* v. *Helene Curtis Industries, Inc.,* 249 F. Supp. 865 (S.D.N.Y. 1965), which, although a trademark action, demonstrates the rationale of departing from the first filed action in a customer's suit.[6]

Finally, since this is a question of alternative forums, it seems appropriate to note that there is a three year waiting period for a trial date in the Eastern District of North Carolina which contrasts sharply with the im-

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[5] See further, *Sortex Company of North America* v *Mandrel Industries, Inc.,* 226 F. Supp. 997 (W. D. Mich. 1965).

[6] But see, *contra, United States Time Corp.* v. *Hamilton Watch Co.,* 327 F. 2d 338 (2nd Cir. 1964) (*per curiam* affirming Judge Timbers' refusal to enjoin a suit against a General Time customer in Maryland). Subsequently, the Maryland Court declined to stay the proceedings against the customer pending the resolution of the Connecticut conflict. *Hamilton Watch Company* v. *Read Drug & Chemical Co. of Baltimore City,* 35 F.R.D. 125 (D. Md. 1964).

mediate availability of a trial date in this District.[7] The Court believes that the considerations recited above, and the law as interpreted by this Court, warrant the action outlined above in order that if war must be waged, to employ Chief Judge Biggs' metaphor, total war may be restricted to one geographical area.[8]

The foregoing shall constitute this Court's findings of fact and conclusions of law in accordance with Rule 52(a) of the Federal Rules of Civil Procedure.

Submit order.

Wilmington, Delaware
July 14, 1967

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[7] An interesting case which is very much in point in this regard is *Piedmont Shirt Company* v. *Snap-Tab Corporation*, 236 F. Supp. 975 (S.D.N.Y. 1964). In *Snap-Tab* Judge Ryan noted first the erosion of the first-filed rule in suits of this nature, and then proceeded to analyze which of the two forums—New York or South Carolina—provided the "better vehicle for the prompt adjudication of the controversy." One of the factors which weighed heavily with Judge Ryan was the early availability of a trial date in South Carolina.

[8] At this point, in view of the doctrine that injunctions against proceedings in courts of concurrent jurisdiction are not to be lightly undertaken, it seems appropriate to indicate that this Court has discussed these proceedings with Judge Larkins in the Eastern District of North Carolina to secure his views as to the most expedient means of unraveling this procedural tangle. Judge Larkins is aware of the action being ordered by this Court, and, he voiced no objection.

IN THE

THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

THE GENERAL TIRE & RUBBER COMPANY,

Plaintiff,

v.

ISOCYANATE PRODUCTS, INC.,

Defendant.

Civil Action No. 3183

ISOCYANATE PRODUCTS, INC.,

Plaintiff,

v.

THE GENERAL TIRE & RUBBER COMPANY,

Defendant.

Civil Action No. 3184

ORDER

The General Tire & Rubber Company, having moved on May 16, 1966, to dismiss the complaint in Civil Action No. 3184, or in any event for an order striking paragraph (f) of the request for relief in that complaint, and Isocyanate Products, Inc., having moved on June 20, 1966, for an order

(a) granting I.P.I. leave to amend its complaint in Civil Action No. 3184, adding Murphy Body Works, Inc. as a party plaintiff in Civil Action No. 3184;

(b) enjoining General Tire from prosecuting Civil Action No. 970 entitled *The General Tire & Rubber Company v. Murphy Body Works, Inc.*, pending in the Eastern District of North Carolina; and

(c) dismissing the complaint in Civil Action No. 3183;

and briefs having been submitted and the Court having heard oral argument on December 15, 1966, it is hereby ordered as follows:

1. The General Tire & Rubber Company is hereby enjoined from further prosecuting Civil Action No. 970, entitled *The General Tire & Rubber Company v. Murphy Body Works, Inc.*, pending in the Eastern District of North Carolina.

2. The motion of The General Tire & Rubber Company for an order dismissing the complaint in Civil Action No. 3184 is hereby denied.

3. The motion of Isocyanate Products, Inc. for an order dismissing the complaint in Civil Action No. 3183 is hereby denied.

4. The motion of Isocyanate Products, Inc., to file an amended complaint, adding Murphy Body Works, Inc. as a party plaintiff in Civil Action No. 3184 is granted. Such amended complaint shall be served and filed within two weeks from the date of this order.

5. Upon the joinder of issue in each of Civil Action Nos. 3183 and 3184, said civil actions shall thenceforth be consolidated for the purposes of all future proceedings. In this consolidated action, The General Tire & Rubber Company shall be regarded as being in the position of plaintiff in a patent infringement suit and Isocyanate Products, Inc. and Murphy Body Works, Inc. shall be regarded as being in the position

of defendants in such suit and the caption of such consolidated action shall be as follows:

THE GENERAL TIRE & RUBBER COMPANY,

Plaintiff,

v.

ISOCYANATE PRODUCTS, INC.,

Defendant.

ISOCYANATE PRODUCTS, INC., and MURPHY BODY WORKS, INC.,

Plaintiffs,

v.

THE GENERAL TIRE & RUBBER COMPANY,

Defendant.

Consolidated Civil Action No. 3183

Upon such consolidation, all papers shall thenceforth be filed only in Civil Action No. 3183.

6. In the said consolidated action, the parties to such action shall be permitted to make use of all discovery heretofore completed in Civil Action No. 970 in the Eastern District of North Carolina and such discovery shall have the same force and effect as to all parties as though the same is a part of this consolidated action.

Dated: June 2, 1967.

/s/ CALEB S. WRIGHT
Chief Judge

Approved as to form:

ARTHUR G. CONNOLLY, JR.
Attorney for The General Tire & Rubber Company

/s/ C. WALTER MORTENSON
Attorney for Isocyanate Products, Inc. and Murphy Body Works, Inc.

APPENDIX C

28 U.S.C. 1400. Patents and copyrights

"* * *

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business. * * *"

28 U.S.C. 1404. Change of venue

"(a) For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.

* * *"

28 U.S.C. 2201. Creation of remedy

"In a case of actual controversy within its jurisdiction, except with respect to Federal taxes, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such. * * *"

FEDERAL RULES OF CIVIL PROCEDURE

Rule 13. COUNTERCLAIM AND CROSS-CLAIM

"(a) Compulsory Counterclaims. A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or

occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction. But the pleader need not state the claim if (1) at the time the action was commenced the claim was the subject of another pending action, or (2) the opposing party brought suit upon his claim by attachment or other process by which the court did not acquire jurisdiction to render a personal judgment on that claim, and the pleader is not stating any counterclaim under this Rule 13.

* * *"

Office-Supreme Court, U.S.
FILED
AUG 27 1968
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

October Term, 1968.

No. 285.

THE GENERAL TIRE & RUBBER COMPANY,
Petitioner,

v.

ISOCYANATE PRODUCTS, INC.,
Respondent.

ISOCYANATE PRODUCTS, INC.,
Respondent,

v.

THE GENERAL TIRE & RUBBER COMPANY,
Petitioner.

RESPONDENT'S BRIEF IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

C. WALTER MORTENSON,
Delaware Trust Building,
Wilmington, Delaware. 19801
Counsel for Respondent.

Of Counsel:
CHARLES A. WEIGEL, JR.,
918 Sixteenth Street, N.W.,
World Center Building,
Washington, D.C. 20006

VIRGIL E. WOODCOCK,
JOHN J. MACKIEWICZ,
1831 The Fidelity Building,
Philadelphia, Pennsylvania. 19109

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QUESTIONS PRESENTED.

1. Where a patent owner brought suit for infringement against a supplier's customer in North Carolina, and on the following day brought suit for infringement on the same patent in Delaware against the supplier who, on the same day, brought a declaratory action in Delaware against the patent owner, did the Delaware District Court, after permitting the customer to be joined in the Delaware declaratory action and consolidating the declaratory action into the patent owner's infringement suit in Delaware, properly exercise its discretion in enjoining the patent owner from proceeding against the customer in the North Carolina action, thereby preserving economy of judicial effort and avoiding fragmentation of litigation by permitting all of the issues between all of the parties to be tried in a single action in Delaware, a forum of the patent owner's choice?

2. Is there a conflict between the decision of the Court of Appeals for the Third Circuit below (391 F. 2d 936, affirming the decision of the District Court of Delaware given at 270 F. Supp. 868) and the decision of the Court of Appeals for the Seventh Circuit in *Sundstrand Corp. v. American Brake Shoe Co.* (315 F. 2d 273), as to the limits of a Court's discretion and the interpretation of *Kerotest Manufacturing Co. v. C-O-Two Fire Equipment Co.* (342 U. S. 180)?

STATEMENT OF THE CASE.

A. Background.

The petitioner, The General Tire & Rubber Company (hereinafter referred to as "General Tire") correctly points out that the only place where the alleged direct infringement occurs is in North Carolina. General Tire chose to file there against the customer, Murphy Body Works, Inc. (hereinafter referred to as "Murphy"), and to wait one day to file in Delaware against the respondent, the supplier. In the Delaware suit, respondent, Isocyanate Products, Inc. (hereinafter referred to as "I. P. I.") is alleged to be a co-infringer. To succeed against respondent in Delaware, petitioner must prove that a direct infringement of a valid patent occurred and that respondent participated as a co-infringer. *Aro Manufacturing Co. v. Convertible Top Co.*, 365 U. S. 336, 81 S. Ct. 599, 5 L. Ed. 592 (1960). Respondent is a Delaware corporation with its home base in New Castle, Delaware, and it is not a party in the North Carolina action. It does not have a sales office in North Carolina (64a).* Therefore, petitioner must proceed against respondent in Delaware. Further, no one at Murphy is capable of answering questions relating to the chemistry of the components purchased from I. P. I. and used in Murphy's foaming operations, to how these components produce foam or to what the General Tire patent is alleged to disclose and claim (31b—Attachment 2; 32b).

As a result of General Tire's letters to customers of respondent, I. P. I. was forced to indemnify customers in order to hold them. I. P. I. did not take a license under General Tire's patent (U. S. 3,072,582), because it does not believe that the patentee is the "first and original"

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* Parenthetical expressions containing the "a" refer to petitioner's appendix below; "b" refer to respondent's appendix below. The "B" refers to respondent's appendix in its present brief.

inventor, because it has a patent application pending on the subject matter, and because it believes acts of General Tire amount to violation of the Federal anti-trust laws and misuse of the patent. General Tire's offer of a license has been withdrawn.

B. Pre-Litigation Activities.

I. P. I. was and is not obligated by the agreement of September 2, 1965 with Murphy to enter as a party defendant in any action brought against Murphy under the subject patent.

Murphy was fully aware that I. P. I. had its own patent application pending directed to polyurethane foams and understood that it was part of the defense I. P. I. had against the charge of infringement (8b). Murphy also knew from I. P. I.'s president (Smith) that General Tire might make a test case of their Frost patent by suing Murphy (50a).

C. The Litigation.

In its brief General Tire has at several places (e.g., page 6, line 9; page 8, line 18) stated that Murphy was "under control" of I. P. I. This conclusion is not substantiated and, in fact, the record establishes the contrary (12b-16b).

Prior to filing its motion to add Murphy as a party plaintiff in the Delaware action (C. A. 3184), I. P. I. approached Murphy's counsel with the proposal that Murphy so join. Murphy considered this request and notified its attorney, Mr. Rose, that it wanted to join with I. P. I. (21b-23b). Murphy's action was purely voluntary (16b-17b, 52a).

During the argument before the Delaware Court below leading to the subject decision of that Court, the Court

inquired of General Tire's counsel whether General Tire would proceed in Delaware if Murphy were to enter as a party defendant in No. 3183, rather than as a plaintiff in No. 3184:

> "THE COURT: Well, it could either be that or, it seems to me, if what you say is true and they control Murphy, then it seems to me that they could join Murphy as a party defendant. I don't suppose that you would have any objection to that up here?"

General Tire's counsel replied:

> "MR. KELTON: We would have none." (29b)

The Court then inquired of I. P. I.'s counsel whether Murphy would be agreeable to entering as a party defendant in 3183:

> "THE COURT: I am trying to be practical about this and save everybody all the time possible. But what difference does it make whether or not they are made a party plaintiff in the declaratory judgment action or whether they are made a party defendant in the patent infringement action brought by General Tire?
>
> MR. WOODCOCK: We have no objection. In our brief we have said we are not seeking here any priority of discovery.
>
> THE COURT: I can take care of that in either case. Discovery is a matter for me. Usually one side takes discovery and if I don't think it is fair I can say the other side is going to start taking discovery. So that is no problem. So where is there a problem?
>
> MR. WOODCOCK: There is no problem until the end of Mr. Kelton's argument, which is the first time that

we heard that he would be willing to continue in 3183 in Wilmington if Murphy could come in and be made a party." (29b)

While it momentarily appeared that an amicable resolution of this procedural tangle would be available by agreement of the parties, General Tire's counsel reversed his position:

"THE COURT: Well, now, let's just stop here. Mr. Kelton, do you have any objection if these parties agree in 3183 that Murphy Body be brought in as a defendant here?

MR. KELTON: Yes, Your Honor. I think it runs counter to the cases which are cited in our brief. What it amounts to as I can see it, is ousting the court in North Carolina, which is the court in which the senior suit rests, from any ability to act." (29b-30b)

I. P. I.'s counsel then summarized:

"We feel, and, if need be, we move here, that there be one trial; that Murphy come in as a party defendant to 3183; that we have moved that an injunction shall issue against General Tire from concurrently proceeding in North Carolina. That we think is well supported by the facts in the case and the authorities we have given you." (30b)

The Court's opinion (B4) overlooks the above colloquy.[1]

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1. In its opinion the Court inadvertently stated: "For some reason, unfathomable to this Court, Murphy is willing to join as a party plaintiff in the declaratory judgment action, where it would be subject to General Tire's counterclaim for infringement, but is unwilling to join as a party defendant in the infringement action."

Judge Wright's statement that "Judge Larkins is aware of the action being ordered by this Court, and, he voiced no objection" (B8, footnote 8 in respondent's brief) clearly establishes that the Delaware Court, rather than usurp the prerogative of the North Carolina Court, sought its counsel in "unraveling this procedural tangle".

In addition to the events given in "C. The Litigation" in petitioner's brief, it is to be noted that on June 8, 1967 I. P. I. filed its amended complaint in Civil Action 3184 and that on June 19, 1967 Judge Larkins in the North Carolina action, without any application by either party, entered an order closing Civil Action 970 and removing it from the Court's docket until otherwise directed by the Court.

Finally, respondent endeavored to keep the Delaware Court fully informed as to events in and the documents filed in the North Carolina case and vice versa as can be seen from the docket entry sheets in each of the three cases (2b-3b for C. A. 970; 25b-26b for C. A. 3183; 27b-28b for C. A. 3184).

It is also to be noted that concurrent discovery was being effected in both jurisdictions until stopped by the District Courts and that General Tire, a very large corporation, was seeking discovery in one jurisdiction against a small manufacturer (Murphy) and against the very small supplier (I. P. I.) in another jurisdiction, this amounting to harassment in respondent's opinion, especially since all activity could be effected conveniently in the one jurisdiction (Delaware).

D. Chronology of Events.

The pertinent procedural events in the two jurisdictions are given below.

North Carolina

3/30/66. Gen. Tire files C. A. 970 against Murphy for direct patent infringement alleging a conspiracy with I. P. I. (for docket entries please see 2b-3b).

4/18/66. Murphy (*not* under control of I. P. I.) moves to stay C. A. 970 pending determination of the Delaware cases.

5/2/66. Oral argument—Judge Larkins denies motion for indefinite stay but grants a temporary stay until 7/15/66, the order being entered on 5/9/66.

7/13/66. Murphy moves again to stay the 970 action.

Delaware

3/31/66. (A. M.) Gen. Tire files C. A. 3183 against I. P. I. for inducing infringement and contributory infringement.

3/31/66. (P. M.) I. P. I. files C. A. 3184 against Gen. Tire for declaratory judgment of invalidity and non-infringement and alleging acts by Gen. Tire amounting to violations of the Federal Anti-Trust Laws and misuse of the subject patent and harassment by Gen. Tire of I. P. I. and its customers.

5/16/66. Gen. Tire moves to dismiss No. 3184.

6/20/66. I. P. I. moves to dismiss No. 3183, to add Murphy as a party plaintiff in No. 3184, and to enjoin Gen. Tire from prosecuting No. 970.

North Carolina

7/25/66. Murphy files answer and counterclaims.

8/15/66. Gen. Tire replies to counterclaims.

8/22/66. Murphy answers Interrogatories Nos. 1-16 of Gen. Tire filed on 4/12/66.

8/22/66. Gen. Tire files Interrogatories Nos. 17-33.

9/2/66. Murphy objects to Interrogatories Nos. 17-33 of Gen. Tire filed on 8/22/66.

9/2/66. Murphy's memorandum in support of its motion for a stay with Book of Attachments, these being identical to Docket Entries No. 33 and 33A of No. 3183 and Docket Entries 27 and 27A of No. 3184.

6/19/67. Judge Larkin's order closing No. 970 and removing it from Court's docket until otherwise directed by the Court.

Delaware

12/15/66. I. P. I. moves orally during the hearing before Judge Wright to add Murphy as a party defendant in No. 3183.

6/2/67. Judge Wright's subject order.

6/8/67. I. P. I. filed its amended complaint.

6/16/67. Gen. Tire's Appeal.

7/14/67. Judge Wright's written opinion.

REASONS FOR NOT GRANTING THE WRIT.

A. The District Court for the District of Delaware acted well within its discretion, for (a) the appellant has not been damaged or unjustly treated by that Court's decision, (b) three actions are, in effect, consolidated into one action in a jurisdiction initially chosen by appellant, and (c) the appellant is still in the position of plaintiff.

B. The decisions below are in accord with and closely follow this Court's decision in *Kerotest Manufacturing Co. v. C-O-Two Co.*, 342 U. S. 180, 72 S. Ct. 219, 96 L. Ed. 200 (1952).

C. The decision of the Third Circuit is not in conflict with that of the Court of Appeals in the Seventh Circuit in *Sundstrand v. American Brake Shoe Co.*, 315 F. 2d 273 (7th Cir. 1963). No District Court has been ousted of its proper jurisdiction.

D. The decisions below are in accord with other authorities.

ARGUMENT.

The Reasoning Expressed in Its Opinion Reported at 270 F. Supp. 868 (D. Del. 1967) Fully Justifies the Conclusion That the Court's Discretion Was Wisely Exercised.

A. The District Court Acted Well Within Its Discretion.

In its brief (page 18 and elsewhere) General Tire would create the impression that the Delaware Court based its decision solely on judicial economy. In General Tire's words the opinion "relies entirely upon the proposition of 'economy of judicial effort' ". Of course, this is not so. The Court's opinion accurately states that while, "absent other considerations, a plaintiff is at liberty to litigate in the forum of his choice," the stated proposition:

> "becomes an exception more often than a rule in complicated litigations such as the present where there are *other factors*[2] bearing upon the determination of a proper forum which must be considered. *Paramount among these considerations is the economy of judicial effort* which militates against the relitigation of essentially the same issues in different forums.——" (B3)
>
> • • •
>
> "In the present case *the prime consideration* of economy will be best served by consolidating the litigation in Delaware after permitting Murphy to be joined as a party, and forestalling the North Carolina proceedings. All the parties to the dispute are then in Dela-

2. Emphasis in this brief is added unless otherwise indicated.

ware, and the principal antagonists may then fight to a finish.

There are, however, additional considerations which weigh heavily in favor of this course of action." (B6)

The Delaware Court correctly observed:

(a) If the North Carolina litigation were permitted to proceed, it would proceed as to *only four* of the *ten* allegedly infringing systems sold by I. P. I. Therefore, even if General Tire should be successful in North Carolina, and assuming that *res judicata* applied as to I. P. I. (*vis-à-vis* its control of Murphy's defense in North Carolina), there would be *res judicata* as to only four-tenths of the dispute. Judge Wright noted that:

> "Any such dress rehearsal before the main confrontation should be avoided where possible. To paraphrase Judge Clark's remarks in *Telephonics Corp. and Fabrionics Corp. v. Lindly & Co.*, 291 F. 2d 445 (2d Cir. 1961), the North Carolina action *is simply an attempt to litigate in another forum a dispute that is basically between Isocyanate and General Tire.*" (B6)

(b) General Tire's action against Murphy in North Carolina was brought some distance from the manufacturer's (I. P. I.'s) home base. The Court soundly observed:

> "Recent cases recognize that suits against customers in far flung jurisdictions should not be preferred *over a direct confrontation between the principal* parties interested in the outcome of the litigation, regardless of the first filed rule.", citing cases. (B6)

(c) The Delaware Court also noted that:

"... since this is a question of alternative forums, it seems appropriate to note that there is a three-year waiting period for a trial date in the Eastern District of North Carolina which contrasts sharply with *the immediate availability of a trial in this district.*" (B7-B8)

Further, the Delaware Court based its holding on several factors *in addition to* economy of judicial effort, and it also employed an abundance of caution in its exercise of discretion in enjoining General Tire from proceeding against Murphy in North Carolina:

"At this point, in view of the doctrine that injunctions against proceedings in courts of concurrent jurisdiction are not to be lightly undertaken, it seems appropriate to indicate that this Court has discussed these proceedings with Judge Larkins in the Eastern District of North Carolina to secure his views as to the most expedient means of unraveling this procedural tangle. Judge Larkins is aware of the action being ordered by this Court, and, he voiced no objection." (B8)

The Delaware Court rejected as unsound General Tire's narrow contention that the mere fact that General Tire's action against Murphy had been filed one day before General Tire's suit against I. P. I. gave General Tire an absolute right of priority to proceed against Murphy in North Carolina, as well as against I. P. I. in Delaware.

General Tire's brief does not weaken or undermine in any respect the reasoning of the Delaware Court in its proper, and indeed cautious exercise of discretion in unraveling the problems. General Tire's preoccupation with

its unjustified interpretation of the controlling decisions, plus its failure to make any reference whatsoever to how or why General Tire is injured or prejudiced as a result of the order are significant manifestations of the unchallengable soundness of the lower court's decision.

Basically, the sole question for review is whether the Delaware Court abused its discretion in enjoining General Tire from further prosecution of the action in North Carolina against Murphy. General Tire has not advanced substantive reasons for reversing the well-reasoned and logical decision of the Delaware District Court. Rather, General Tire raises a plurality of technical, secondary questions which do not go to the issue: should there be under the circumstances a single action in Delaware, a forum of General Tire's own choice?

The denial of General Tire's motion to dismiss Civil Action No. 3184 and the granting of I. P. I.'s motion to amend its complaint to add Murphy as a party plaintiff among other amendments are interlocutory decisions and are not appealable. These matters are neither basic to nor do they underlie the order of injunction. None of these matters is included in part (a) of 28 U. S. C. Section 1292, and appellant did not seek certification of these interlocutory portions under part (b) of said statute. Hence, they are not appealable. *Caterpillar Tractor Co. v. International Harvester Co.*, 120 F. 2d 82 (3d Cir. 1941); *Wallace Products, Inc. v. Falco Products, Inc.*, 242 F. 2d 958 (3d Cir. 1957); *Railroad Yardmasters of America v. Pennsylvania Railroad Co.*, 224 F. 2d 226 (3d Cir. 1955); *Schering Corporation v. Sun Ray Drug Co.*, 320 F. 2d 72 (3d Cir. 1963); *United States of America v. Ingersoll-Rand Company et al.*, 320 F. 2d 509 (3d Cir. 1963).

B. The Kerotest Case Was Closely Followed.

In *Kerotest,* the Supreme Court endorsed an exercise of discretion of the Court below staying the "first-filed" declaratory judgment suit between the manufacturer (Kerotest) and the patentee (C-O-Two) in favor of a suit in a *more appropriate forum* in which both of these parties and a customer (Acme) had already appeared and which was the only suit in which the entire dispute could be finally determined.

In *Kerotest,* the very first-filed action was the infringement suit against the customer, Acme, in Illinois. The second action was the declaratory judgment suit filed in Delaware in which only Kerotest and C-O-Two were involved. Thereafter, Kerotest, the manufacturer, entered a general appearance as a party defendant in the Illinois suit. This joinder, in effect, was considered by the Delaware Court as a still later filed suit. That Court, 92 F. Supp. 943 (D. Del. 1950), upon application of the manufacturer, enjoined the patent owner, C-O-Two, from proceeding against the manufacturer (but not the customer) under the rigid view that the "first-filed" (*i.e.,* the declaratory judgment action in Delaware) between the patent owner and the manufacturer should continue to the exclusion of the later filed suit (*i.e.,* the joinder of the manufacturer in the Illinois action).[3]

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3. We quote from the decision of the district court, 92 F. Supp. 943, 946-7: "Furthermore, it seems to be well established that the action of making Kerotest a party defendant to the Chicago suit, whether or not that may be correctly called an amendment, does not relate back in time to the institution of the Chicago suit. It has been often held that an "amendment" bringing in new parties as contrasted with one correcting a misnomer of a party already before the court does not relate back in time to the filing of the original suit but is akin to the institution of a new action against the new parties. Indeed the order of the Chicago court, itself, by which Kerotest was made a party to that suit expressly makes such joining as a party effective as of March 24, 1950, which is after the institution of this suit."

On appeal, the Third Circuit Court, correctly noting that the decision below exalted form over substance and ignored the fact that Illinois was the appropriate forum, reversed and permanently stayed the "first-filed" Delaware declaratory judgment action, 88 U. S. P. Q. 335 (3d Cir. 1951).[4]

The Third Circuit Court held at page 337:

> "We cannot agree with the conclusions reached. To the end that our position may be made plain we state again that the two parties to the action at bar are Kerotest and C-O-Two; that the parties to the Chicago suit are C-O-Two and Acme and Kerotest, but that Kerotest did not become a party to the Chicago action until as of March 24, 1950, whereas the instant suit was brought on March 9, 1950. We do not think that the rule of the cited decisions requires the order made by the court below. *The question which must be answered is: in which jurisdiction can the ends of justice be served best?* We stated this in the Westinghouse decision, 130 F. 2d at p. 475 (54 USPQ at 292), pointing out that the real question was not whether 'another suit' had been 'previously' or 'subsequently' begun between the parties but whether the relief sought could be 'more expeditiously and effectively afforded (in the other suit) than in the declaratory proceeding'."

It was this exercise of discretion that was approved by the Supreme Court:

> "Wise judicial administration, giving regard to *conservation of judicial resources and comprehensive disposition of litigation,* does not counsel rigid mechanical

4. A petition for rehearing was granted, and the Court, sitting *en banc,* in an expanded opinion, adhered to the views of the three judges, 189 F. 2d 31 (3d Cir. 1951).

solution of such problems. The factors relevant to wise administration here are equitable in nature. Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts. The conclusion which we are asked to upset derives from an extended and careful study of the circumstances of this litigation. Such an estimate has led the Court of Appeals twice to conclude that all interest will be best served by prosecution of the single suit in Illinois. Even if we had more doubts than we do about the analysis made by the Court of Appeals, we would not feel justified in displacing its judgment with ours." (342 U. S. 180, 183-184)

The Delaware Court in the case at bar properly concluded (B5) that "a close reading of the case *(Kerotest)* supports" its position here.

Against the background of *Kerotest,* it would be helpful to restate the essential facts upon which the Delaware Court based its sound and cautious exercise of discretion. They are: that in both forums the patent charged to be infringed is the same; that I. P. I.'s sale of ten systems is alleged to constitute contributory infringement of the Frost patent and that Murphy's use of four of these is alleged to constitute direct infringement of the patent; that I. P. I. has agreed to indemnify Murphy and Murphy has agreed to be joined (and is now joined) as a party in Delaware; that all issues which have been or could be raised in North Carolina have been or could be raised in Delaware; that General Tire chose Delaware as its forum for its controversy with I. P. I. with whom General Tire has its real dispute; and that a trial date in Delaware is available, whereas there is a three-year waiting period for a trial date in North Carolina.

On these facts, General Tire argues narrowly that since it filed its North Carolina action one day before it filed its Delaware action, *Kerotest* should be so strictly and mechanically construed as to give General Tire an absolute right of priority to the North Carolina action even though duplicate litigation results. In *Kerotest* and in decisions preceding it, this Court would not sanction such fragmentation. The Third Circuit Court would not sanction General Tire's present attempt at fragmentation. Only in Delaware can there be a single judgment disposing of this multiple litigation as to all parties. Only in Delaware can duplicate litigation be avoided. Only in Delaware is there immediate availability of a trial date for this controversy. There can be no burden on General Tire by proceeding in Delaware, obviously more convenient than North Carolina to its witnesses and its personnel.[5] It plainly is in the interest of justice to avoid burdening the courts with two trials where one would do, and in the interest of justice to avoid the inconvenience to witnesses of testifying twice as well as the expense of the parties of trying the same issues twice.

C. There Is No Conflict Between the Seventh and the Third Circuits.

General Tire relies heavily on *Sundstrand Corp. v. American Brake Shoe Co.*, 315 F. 2d 273 (7th Cir. 1963) and alleges a conflict between it and the decision below. However, an examination of Sundstrand reveals that the situation there was quite different from that here. Sundstrand involved three actions: the first was a patent infringement suit initiated in Colorado by Brake Shoe against Sundstrand. The second (6/12/62) was brought in

5. General Tire's trial counsel are located in New York City. Its principal offices are in Akron, Ohio.

Maryland by Brake Shoe against two of Sundstrand's customers. The third suit (7/3/62) was a declaratory action filed in Illinois by Sundstrand against Brake Shoe.

The record before the Seventh Circuit Court reveals that on July 20, 1962, Sundstrand moved in Illinois to enjoin Brake Shoe from proceeding in the Maryland customer action. In support of that motion, Sundstrand offered no evidence, filed no affidavits, offered no sworn testimony, nor did it move to add the Maryland defendants as parties to the Illinois action. Furthermore, the record contained nothing showing any indemnity agreement between Sundstrand and the Maryland defendants.

Sundstrand's motion was heard on July 25, 1962. On the same day, upon the condition that the two Maryland corporations appear in the Illinois action, and in total disregard of the Colorado action then pending between Brake Shoe and Sundstrand,[6] the Illinois Court enjoined Brake Shoe *pendente lite* from going forward in Maryland. The Illinois Court's order did not set forth the reasons for its issuance. The Court submitted no opinion or written memorandum in respect to the order, nor were findings of fact and conclusions of law entered.

Against this factual background, the appellate court reviewed *Kerotest* and concluded that the District Court had abused its discretion. Its holding turned on two factors: (1) that a manufacturer sued for patent infringement cannot use the Declaratory Judgments Act in a later-filed suit as a device to sweep the controversy into a forum of his own choosing and (2) that the Illinois Court usurped the prerogative of the Maryland Court.

These factors are not present here. On the contrary, the pertinent facts before the Delaware Court, discussed

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6. As of July 25, 1962, no motion to transfer the Colorado case to Illinois was pending before the Court.

previously, reveal that the Court was plainly correct in granting the relief prayed for by I. P. I. Regardless of I. P. I.'s declaratory action (No. 3184), the Delaware Court had jurisdiction over General Tire by virtue of the infringement action (No. 3183) by General Tire. General Tire is not an involuntary litigant in Delaware. Though General Tire may now prefer to ignore the fact, Delaware is the forum of its choice to litigate its dispute with I. P. I.

I. P. I. agreed to indemnify Murphy, and Murphy not only agreed to join in Delaware, but a formal motion thereon was filed and was considered by the Court below. Also, as noted, rather than usurp the prerogative of the North Carolina Court, the Delaware Court sought its counsel in "unraveling this procedural tangle". The North Carolina Court's order removing the North Carolina action from its docket lists demonstrates its endorsement of the solution reached. Finally, in contrast to the bare record before and the swift decision by the Court in *Sundstrand*, the motions below were decided upon an impressive record consisting of affidavits, answers to interrogatories, and extensive depositions taken by General Tire. Oral argument was had before the Delaware Court on December 15, 1966. Its decision was given on April 19, 1967, and on July 14, 1967, the Court filed an extensive, well-reasoned opinion setting forth fully the basis for its action.

The Appeal Court's comments in *Sundstrand* that its decision would have been the same even if the Colorado suit initially had been filed in Illinois is pure *obiter dictum*. The lower Court in *Sundstrand* was not faced with a motion to add the customer to a forum of the patent owner's choice. It did not seek to obtain the views of the Maryland Court which had jurisdiction over the customers.

D. Other Authorities Support the Decision Below.

Further, the Delaware Court's decision and the Court of Appeal's affirmance of it by the Third Circuit Court of Appeals are in accord with decisions in other circuits. For example, recently in *The General Tire & Rubber Company v. Watkins,* 373 F. 2d 361, 362, 368, 369 (4th Cir. 1967), the Court, in a *per curiam* decision, transferred an earlier-filed suit pending in the District of Maryland to the Northern District of Ohio:

> ". . . to prevent an extravagantly wasteful and useless duplication of the time and effort of the federal courts by the simultaneous trial of the two complex and elaborate cases involving substantially the same factual issues."

General Tire, on December 13, 1960, filed two separate suits in Ohio against the Goodyear Tire & Rubber Company and the United States Rubber Company, charging infringement of its U. S. Patent 2,964,043. On March 30, 1961, Firestone Rubber and McCreary Tire & Rubber Company filed a declaratory judgment suit seeking a declaration of invalidity and non-infringement of said patent. On April 4 and 6, General Tire filed suits in Ohio against Firestone and McCreary for infringement of said patent.[7] Later, General Tire moved to transfer the Maryland action to Ohio. After several attempts to transfer, including a mandamus petition, General Tire, on June 28, 1966, renewed its motion to transfer or, alternatively, to dismiss. On denial of this a second mandamus petition was filed. On that second petition, the Fourth Circuit noted that General Tire, in addition to the usual *forum non con-*

7. By General Tire's own argument at page 12 of its present brief, this was in direct violation of Rule 13(a) of the Federal Rules of Civil Procedure.

veniens arguments, urged bad faith and fraud on the part of Firestone and McCreary. Noting that the lower Court "in a long and meticulous memorandum opinion . . . reviewed the evidence . . . and found with Firestone on all points," the Court, basing its decision on other reasons and after pointing out that certain conditions present earlier no longer existed, held that the lower Court abused its discretion in not permitting the transfer since it overlooked "completely the factor which should have controlled the decision." The Fourth Circuit held:

> "We think the district court erred in its failure to weigh *the impelling need for efficiency in the administration of our courts system against the right of Firestone to continue the trial in a forum which no longer offered to it any convenience over the Ohio forum.* Certainly the simultaneous trial of two suits in different circuits involving a number of identical questions of fact and law could result in a useless waste of judicial time and energy." (page 368)

The Court then cited and analyzed *Kerotest,* noting:

> "The Third Circuit refused to rest its decision upon so artificial a test as the chronology of the suits, but rather considered the test to be 'whether the relief sought can be more expeditiously and effectively afforded (in the other suit) than in the declaratory proceeding.' " (page 368)

The Court then referred to the Second Circuit's decision in *Hammett v. Warner Bros. Pictures, Inc.,* 176 F. 2d 145 (2d Cir. 1949), and observed:

> "Our situation is factually different from both Kerotest and Hammett because the suit which is set to be tried in Ohio in March is against U. S. Rubber and

not Firestone. Presumably General's Ohio suit against Firestone was not consolidated with the suits against Goodyear and U. S. Rubber because the Maryland district court had enjoined General from prosecuting its Ohio suit. This difference necessitates our invoking a different remedy, but the principle to be applied is the same: *maintenance of judicial economy. The prompt transfer of the Maryland suit to Ohio will make it available there for consolidation and trial in March with the suit against U. S. Rubber. In view of the complex and time-consuming nature of patent cases, the advisability of consolidation is obvious.*" (page 369)

In *Squeez-A-Purse Corp. v. Stiller, et al.*, 149 F. Supp. 60, 61 (N. D. Ohio 1957) the Court stated:

"The court in Kerotest stated that it is not to be assumed that the lower courts with permit holders of weak patents to avoid real tests of their patent's validity by successive suits against customers in forums inconvenient to the manufacturer or selected because of greater hospitality to patents. This is not to say that the defendant's patent here involved is a weak one, but only that the tactics used by him are those used by holders of weak patents.

The fact that defendant filed its suit in North Carolina about four or five days before this action was commenced is of no importance under the circumstances of the controversy between the parties." (149 F. Supp. at 61.)

Other cases supporting the holding of the Courts below in this case appear in respondent's brief below.

The sole issue before this Court is whether, against the factual background outlined above, and in the light of the controlling authorities, the District Court properly

exercised its discretion in enjoining General Tire from proceeding with its customer suit against Murphy in North Carolina.

The issuance of the interlocutory injunction by the Delaware Court rests within its sound discretion and may not be interfered with on appeal unless it has been exercised improvidently. *United States v. Ingersoll-Rand Company, supra; Schering Corporation v. Sun Ray Drug Co., supra.*

It is crystal clear from the facts viewed in the light of the foregoing authorities that the Delaware Court was eminently correct in holding that General Tire's infringement action in Delaware (with I. P. I.'s action consolidated therein and Murphy as a party) should proceed, and that the North Carolina action against Murphy should be stayed in order to prevent duplication with its consequent expense and waste of effort both by the parties and by the courts. This holding is not only in accord with the authorities, but is essentially practical and sensible.

The Third Circuit Court summarized its holding in *Kerotest* as follows:

> "In the instant case the whole of the war and all the parties to it are in the Chicago theater and there only can it be fought to a finish as the litigations are now cast. On the other hand, if the battle is waged in the Delaware arena there is a strong probability that the Chicago suit nonetheless would have to be proceeded with for Acme is and cannot be made a party to the Delaware litigation. The Chicago suit when adjudicated will bind all the parties in both cases. Why, under the circumstances, should there be two litigations where one will suffice? We can find no adequate reason." (page 34)

To this query, General Tire has supplied no answer—and, we submit, there is none.

CONCLUSION.

It is respectfully submitted (a) that the District Court of Delaware acted within its allowable range of discretion; (b) that its reasoning expressed in its subject opinion "fully justifies the conclusion that its discretion was wisely exercised" (A2); and (c) that the Court of Appeals for the Third Circuit was correct in its affirmance of the lower court.

For the reasons given above, it is respectfully submitted that the Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

C. WALTER MORTENSON,
Counsel for Respondent.

Of Counsel:
CHARLES A. WEIGEL, JR.,
VIRGIL E. WOODCOCK,
JOHN J. MACKIEWICZ.

Dated: August 26, 1968